The Energy And Technology Committee

March 9, 2006

Senate Bill 570: AAC ELECTRIC CONSUMER EMPOWERMENT

Testimony of

The Office of Consumer Counsel

Mary J. Healey, Consumer Counsel

The Office of Consumer Counsel (OCC) appreciates the efforts of the Energy and Technology Committee in exploring a variety of energy policies to control costs to consumers, to increase reliability of power supply and to further advance energy efficiency, distributed energy and renewable energy projects with the corresponding benefits to the electric grid and to the environment.

OCC has long been supportive of the installation of customer-side distributed resources and is supportive of reasonable, cost-effective investments in such resources on behalf of the ratepayers. OCC has been an active participant in dockets before the Department of Public Utility Control (DPUC) that were opened pursuant to last year's Energy Independence Act (EIA). Specifically, OCC is actively participating in a docket at DPUC that is intending to implement Section 8 of the EIA. Section 8 would grant customer-side distributed resource projects an award of between $200 to $500 per kilowatt, conditioned upon their reduction of federally mandated congestion charges (FMCCs) in an amount exceeding the award.

In contrast to Section 8 of the EIA, Section 1 of Senate Bill 570 would grant, virtually without conditions and without any DPUC review, any customer-side distributed resources project a *minimum* award of $500 per kilowatt from the ratepayers. Regardless of whether the project is located in an industrial building near the grid in congested Southwestern Connecticut or on a farm far from significant load in Northeastern Connecticut, the project gets a minimum of $500 per kilowatt.

The DPUC proceeding under Section 8 of the Energy Independence Act for determination of an award for customer-side distributed resources provided an opportunity for all parties to provide expert input to the DPUC. OCC respectfully suggests that the DPUC be permitted to continue to implement in a cohesive and transparent manner the incentive structures in the Energy Independence Act, which have not been given a chance to work to reduce FMCCs. Any further incentives from this Bill have the potential to add hundreds of millions of dollars to electric costs with no guarantees of any corresponding benefits to ratepayers.

For example, on top of the $500 per kilowatt award, Section 1 of the bill would order the DPUC to create *additional incentives* for the first three hundred fifty megawatts of customer-side distributed resources that are installed. Thus, the ratepayers will be paying in excess of **$175 Million** (350,000 kilowatts multiplied by $500 per kilowatt) for development of just the first 350 megawatts of customer-side distributed resources without any assurance that the resulting benefits to ratepayers will be anything like $175 million. There are no express provisions in the bill under which the ratepayers might recoup their investment if any customer-side distributed resource is built poorly, operated poorly, or never actually operated at all.

OCC respectfully suggests that the DPUC continue to be permitted to determine the appropriate amount of subsidy for customer-side distributed resources in the existing DPUC docket. The Legislature should continue to rely on DPUC's expertise in the utility field, and should allow DPUC to hear and weigh *evidence* that might justify an award. OCC further respectfully suggests that any distributed resource subsidy provisions retain the current standard for awards, that is, that the projected reduction in federally mandated congestion charges exceed the amount of the award.

OCC has some other questions about the bill and will be interested in hearing the views of parties during the legislative process. For example, Section 2 of the bill attempts to set a floor value for Class III renewable energy credits at 1 cent per kilowatt-hour or fifty percent of the value of a Class I renewable energy credit. OCC is uncertain that such a floor is workable, given that a market will presumably develop in Class III credits and OCC anticipates that such a market will set the price. Section 2 also would give 100% of Class III credits to the customer that installs a Class III resource, whereas the DPUC recently determined that only 25% of such Class III credits should go to the customer and 75% of the credits should go to the Conservation and Load Management Fund (C&LM Fund) where the CL&M Fund subsidized the project. OCC also has questions about the proposed ratepayer investment in clean coal facilities pursuant to Section 8 of the bill. OCC is interested in the development of clean coal facilities but cannot discern from the language of Section 8, with any level of certainty, what the range of ratepayer subsidy would be for facilities built by non-utility generators.